



Oregon

John A. Kitzhaber, MD, Governor

Public Utility Commission

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September 27, 2012

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW, Room TW-A306
Washington, DC 20554

Karen Majcher
Vice President, High Cost & Low Income Division
Universal Service Administrative Company
2000 L Street, NW, Suite 200
Washington, DC 20036

RE: CC Docket No. 96-45/WC Docket No. 10-90
Annual State Certification of Support for Eligible Telecommunications Carriers
Pursuant to 47 C.F.R. § 54.314

Please find attached Order No. 12-360 of the Public Utility Commission of Oregon (OPUC), entered on September 26, 2012. In the Order, pursuant to the requirements of 47 C.F.R. § 54.314, the OPUC certifies that the telecommunications carriers listed in Exhibit A to the Order are eligible to receive federal high-cost support. A copy of Exhibit A is included immediately following this cover letter for your convenience.

The OPUC certifies for the carriers listed that all federal high-cost support provided to such carriers within Oregon was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

Please address any questions to Kay Marinos, Program Manager of the OPUC Staff, at (503) 378-6730.

Bryan Conway
Administrator
Telecommunications Division

Attachments



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Exhibit A
Eligible Telecommunications Carriers
Certified to Receive Federal Universal Service Fund High-Cost Support

Company	USAC Study Area Code
1 Asotin Telephone Company	532404
2 Beaver Creek Cooperative Telephone Co.	532359
3 Canby Telephone Association	532362
4 Cascade Utilities, Inc.	532371
5 CenturyTel of Oregon, Inc. dba CenturyLink	532361
6 CenturyTel of Eastern Oregon, Inc. dba CenturyLink	532361
7 Citizens Telecommunications Company of Oregon	533401
8 Clear Creek Mutual Telephone Company	532363
9 Colton Telephone Company	532364
10 Eagle Telephone System, Inc.	532369
11 Frontier Communications Northwest Inc.	532416
12 Gervais Telephone Co.	532373
13 Helix Telephone Company	532376
14 Home Telephone Company	532377
15 Molalla Communications Company	532383
16 Monitor Cooperative Telephone Company	532384
17 Monroe Telephone Company	532385
18 Mt. Angel Telephone Company	532386
19 Nehalem Telecommunications, Inc.	532387
20 North-State Telephone Company	532388
21 Oregon-Idaho Utilities, Inc.	532390
22 Oregon Telephone Corporation	532389, 533336
23 People's Telephone Company	532391
24 Pine Telephone System, Inc.	532392
25 Pioneer Telephone Cooperative	532393
26 Qwest Corporation dba CenturyLink QC	535163
27 Roome Telecommunications, Inc.	532375
28 Scio Mutual Telephone Association	532397
29 Stayton Cooperative Telephone Company	532399
30 St. Paul Cooperative Telephone Association	532396
31 Trans-Cascades Telephone Company	532378
32 United Telephone Co. of the Northwest dba CenturyLink	532400
33 AT&T Mobility LLC	539010
34 Comspan Communications, Inc.	539005
35 Eagle Telephone System, Inc. dba Snake River PCS	539007
36 United States Cellular Corporation	539002
37 Warm Springs Telecommunications Company	539012

ORDER NO. 12 360

ENTERED SEP 26 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1589

In the Matter of

2012 ANNUAL RECERTIFICATION OF
ELIGIBLE TELECOMMUNICATIONS
CARRIERS.

ORDER

DISPOSITION: STAFF'S RECOMMENDATIONS ADOPTED

This order memorializes the decision of the Public Utility Commission of Oregon in this matter made and effective at a public meeting held on September 25, 2012. The Staff Report, detailing the recommendations adopted, is attached as Appendix A.


Dated this 26th day of Sept., 2012, at Salem, Oregon.

COMMISSIONER ACKERMAN WAS
UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman
Chair




John Savage
Commissioner


Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ORDER NO. 12 360

ITEM NO. CA5

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 25, 2012**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** September 25, 2012

DATE: September 17, 2012

TO: Public Utility Commission

FROM: Kay Marinos ^{KM}
_{JE}

THROUGH: Jason Eisdorfer and Bryan Conway ^{BAC}

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1589) 2012 Annual Recertification of Eligible
Telecommunications Carriers.

STAFF RECOMMENDATION:

Staff recommends that the Commission:

1. Certify, pursuant to the requirements of 47 C.F.R. § 54.314, to the appropriate use of federal Universal Service Fund (USF) high-cost support in Oregon, and to the continuing eligibility of the carriers listed in Exhibit A to receive such support; and
2. Accept the 2012 annual recertification filings of all eligible telecommunications carriers (ETCs) required by Commission Order 06-292.

DISCUSSION:

A. Certification of ETCs Pursuant to 47 C.F.R. § 54.314

Section 214(e)(2) of the Telecommunications Act of 1996 (Act) authorizes state public utility commissions to designate telecommunications carriers eligible to receive federal USF support. The Commission first exercised this authority in December 1997 when it designated Oregon's incumbent local exchange carriers (ILECs) as ETCs.¹ Since then, the Commission has designated several wireless carriers and non-ILEC wireline carriers (also referred to as competitive ETCs or CETCs) to receive federal USF high-cost

¹ See Order No. 97-481, Docket UM 873.

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support.² The Commission has also granted limited designations to several carriers for the purpose of receiving only low-income (Lifeline) support.³

Section 54.314 of the FCC rules requires state public utility commissions to annually certify that ETCs designated in the state are using the high-cost support funds for the intended purposes. The Commission must provide this annual certification to the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) by October 1st of each year in order for the ETCs to continue receiving high-cost support.

In its Order 11-161⁴ released November 18, 2011 (FCC Transformation Order), the FCC made significant changes to the types of support available under the federal USF high-cost program. The FCC also changed its rule 54.314 governing state certification of ETCs. Under the previous rule, states were required to certify only the ETCs receiving high-cost support in the serving areas of the rural ILECs. Under the revised rule, and for certification this year, states must certify the eligibility of all ETCs that receive any type of federal high-cost support in the state. Per the new definition in Section 54.5 of the FCC rules, high-cost support now includes not only the ILEC "rural" high-cost support, but CETC high-cost support, interstate-access related support for which ETCs previously self-certified, and new support provided through the Connect America and Mobility Funds.

The FCC also modified the previous annual certification rule with respect to the certification timeframe. Under the previous rule, states were to certify that the ETCs will use the support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The FCC's revised rule now requires that the states certify that the federal high-cost support provided to ETCs "was used in the preceding calendar year and will be used in the coming calendar year" for the intended purposes.

From 2001 through 2005, the Commission required the corporate officers of ETCs to provide a sworn affidavit attesting to their use of federal USF high-cost funds as

² Currently, the wireless carriers designated for federal high-cost support in Oregon are AT&T Mobility LLC, United States Cellular Corporation, and Eagle Telephone System, Inc. dba Snake River PCS. The wireline competitive carriers designated for high-cost support are Comspan Communications, Inc. and Warm Springs Telecommunications Company.

³ The current Lifeline-only ETCs are Cricket Communications, Virgin Mobile, and TracFone Wireless. Numerous applications for designation by other carriers are pending.

⁴ See *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90 et al., FCC 11-161, released November 18, 2011.

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evidence for annual certification (also referred to as "recertification").⁵ This requirement continues and this year the affidavits were modified to reflect the new language in the FCC's rule 54.314.

In 2006, the Commission adopted additional requirements for ETC recertification in Docket UM 1217, Order No. 06-292. To meet these requirements, each ETC must formally file specific information designed to demonstrate that it: offers the supported services; will provide, and advertise, the supported services throughout its designated service area; offers and advertises Lifeline and Oregon Telephone Assistance Program (OTAP) services for low-income consumers; is able to remain functional in emergencies; is committed to service quality and consumer protection; and uses support funds for their intended purposes. The required reports are generally comparable for all ETCs, with one significant exception. CETCs that receive high-cost universal service support must submit a network improvement plan explaining how they used support funds in the previous year and how they will use support funds in the coming two years. For reasons explained in the Order, ILEC ETCs are not required to submit such plans.

Carriers filed annual recertification reports for this year under Docket UM 1589. Per Order No. 06-292, recertification reports are due each year on July 15. All ETCs receiving federal high-cost support met the filing deadline this year. Staff reviewed each carrier's report for completeness, and contacted any companies that submitted incomplete or apparently erroneous reports. All such reports were re-filed to correct errors and achieve completeness.

Staff also reviewed the confidential network improvement plans of each CETC to verify that: 1) support funds received in 2011 were spent as planned, and 2) projects planned for 2012 and 2013 represent appropriate use of support funds. Staff held discussions with each CETC regarding the details of their network improvement plans. Last year, the CETC support amounts were limited by a cap on total state CETC support. This year's plans reflect a five-year phase-out of CETC support amounts required by the FCC Transformation Order. Beginning in July of this year, each CETC will receive only 80% of the support it received in 2011. Each July thereafter support will be reduced by an additional 20% until the support amount reaches zero by July 1, 2016. Due to the reduction in support over time, the CETCs will be forced to reduce expenditures on new sites, and instead use the declining funds simply to cover maintenance costs of previously built sites. As part of its USF reform, the FCC will now offer funds for wireless service expansion through its newly established Mobility Fund for which the first reverse auction will be held on September 27 of this year.

⁵ See PUC Orders 01-819, 02-605, 03-551, 04-532, and 05-1049 in Docket UM 873.

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Based on the information contained in the filed reports, including signed affidavits attesting to the use of support funds for the intended purposes, and because the continued receipt of federal high-cost support is vital to Oregon carriers' abilities to provide affordable service throughout the state,⁶ Staff recommends that the Commission certify that the ETCs listed in Exhibit A to this memo are authorized to receive federal USF high-cost support pursuant to 47 C.F.R. § 54.314, and that the support received was and will be used for the intended purposes.

In past years, the Commission was also required to certify per FCC rules that the basic service rates charged by non-rural ILECs in their rural service areas are reasonably comparable to urban rates nationwide. As the FCC Transformation Order eliminated this requirement, staff will no longer request this certification from the Commission.

B. Review of 2012 Annual Recertification Reports

In Section A of this memo, Staff discussed the annual recertification reports of the ETCs that receive federal USF high-cost support. These are the carriers the Commission must certify to the FCC by October 1 of this year. Order No. 06-292 also requires another group of ETCs - those that receive only federal Lifeline support funds - to submit annual ETC reports. The following carriers are currently designated in Oregon only for purposes of receiving federal Lifeline funds: Cricket Communications, Virgin Mobile, and TracFone Wireless. Cricket has been offering Lifeline services since early 2010 and Virgin Mobile started offering Lifeline services this summer. TracFone is preparing to begin offering Lifeline services shortly. Each of these ETCs filed its required annual report.⁷ Although the Commission does not certify these carriers to the FCC on an annual basis, it can revoke a carrier's ETC designation if the carrier is not fulfilling its universal service obligations and commitments made at the time of its initial designation. Staff finds no basis at this time to recommend revocation for any ETC.

⁶ Oregon's ILEC ETCs are expected to receive more than \$55 million from federal USF high-cost support programs in 2012. This estimate does not include the new Connect America Fund support awarded to CenturyLink and Frontier companies to build out broadband facilities in the state. Oregon CETCs are expected to receive \$17 million in 2012, not including any new Mobility Fund support.

⁷ Due to an oversight, Virgin Mobile missed the filing deadline by a few days. Because the company was just designated this year, it had no historical data to report. However, it did file the other relevant types of required information.

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In addition to reforming its high-cost support funds, the FCC also reformed its Lifeline program and requirements in a separate order released in February of this year.⁸ These orders resulted in new designation, reporting, and annual recertification requirements for both high-cost and Lifeline support recipients. While the changes did not substantially impact this year's annual certification process, they will have a much greater impact on next year's certification. Therefore, Staff plans to request that the Commission open a new docket to address changes to the reporting requirements, as well as the initial ETC designation requirements, that the Commission adopted in Order 06-292.

PROPOSED COMMISSION MOTION:

An order be issued in Docket UM 1589:

1. Certifying that all federal high-cost support provided to the ETCs listed in Exhibit A within Oregon was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, and that the ETCs listed in Exhibit A are eligible to receive federal universal service high-cost support pursuant to 47 C.F.R. § 54.314; and
2. Accepting the 2012 annual recertification filings of all ETCs currently designated in Oregon.

⁸ See *Lifeline and Link Up Reform and Modernization et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Dkt. Nos. 11-42 *et al.*, CC Dkt. No. 96-45, FCC 12-11, released February 6, 2012.

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